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Argentina Again Sells Wheat

World Sugar Supply Tight

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This week's cover:

German hops growers produce about a quarter of the world's hops output and nearly 90 percent of the EC's. But the Common Agricultural Policy for hops, enacted at Germany's request, may be encouraging production in other EC countries and discouraging U.S. hops sales to Germany. See article on page 8.

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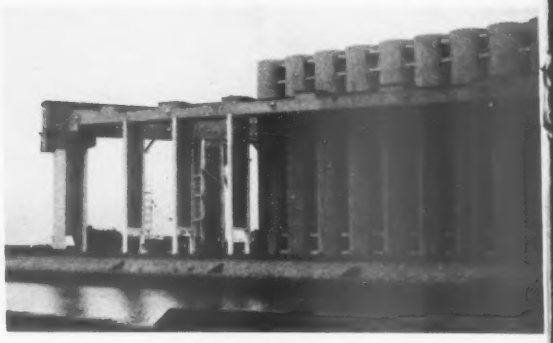
Modern grain elevator (below) at the port of Bahía Blanca stores a portion of the record grain harvest prior to export. Judges award prizes at a provincial grain show (right).



A standard wheat silo (left) in Buenos Aires Province. Grain trucks (above) are idled as they wait to deliver wheat to port elevators. Grain elevator at port of Quequén (right).

Argentina Rejoins World's Wheat Exporters

By JAMES P. RUDBECK
Assistant U.S. Agricultural Attaché
Buenos Aires

AFTER SEVERAL years on the sidelines, dribbling out wheat exports to a few traditional markets, Argentina this year is back in the field as a major exporter of wheat to the world market.

Forward sales indications as of late January 1973 were in excess of 3.5 million metric tons, and the potential export volume for all of 1972-73 (December-November) is estimated at 4 million tons. If this potential becomes a reality, Argentina will export its largest volume of wheat since 1965-66. Exports will be more than double those of 1971-72, close to a fivefold boost over those of 1970-71, and nearly twice as large as the annual volumes of the 4 preceding marketing years.

This improved export potential comes at a very auspicious time for Argentina: World prices are at record levels; several nearby traditional markets are in need of sharply increased wheat imports; and most other exporting countries are either fully committed, are plagued by shipping problems, or have reduced exportable supplies.

Since a large portion of the crop is already committed for future shipment, with most of the prices already fixed, the value of this season's shipments can be estimated at around $340 million. This compares with about $120 million in 1972, when total exports were valued at around $1.9 billion. Thus, all other factors remaining equal, wheat exports alone could boost Argentina's total export earnings by over 10 percent in 1973.

Argentina's wheat crop this year promises to be at least 40 percent above the previous year's. The harvest, which began in late November and was about over by late January, is officially estimated at 8.1 million tons by the Ministry of Agriculture in its second estimate in January. This compares with an official estimate of 5.68 million tons in 1971-72.

Although the area for this year's crop was increased by only 15 percent, the best conditions in many years have boosted the nationwide average yield nearly 30 percent over the previous year's yield and about one-third over the recent 5-year average.

The indicated foreign sales as of late January are based on a bilateral agreement with Brazil, assurances given by the Argentine Government to Chile,

and sales declarations by private trading firms and cooperatives.

The Argentine Government has agreed to supply Brazil a minimum of 1.3 million tons and up to 1.5 million under a traditional bilateral agreement that in the past has included only 1 million tons annually. Brazil's total wheat imports this year will be 100 percent or 1.5 million tons larger than in 1972.

Chile has been pressing the Argentine Government for more wheat under an annual bilateral agreement generally totaling around 200,000 tons. As of January no announcement had been made but it was believed that Chile had been assured a minimum of 200,000 tons and possibly up to 500,000 if sufficient supplies are still available later in the season.

Forward sales declarations by the private firms and the cooperatives were reported at 1.3 million tons of bread wheat and around 350,000 tons of durum in December. At that time the Government suspended further sales declarations by these entities for fear that sales commitments might jeopardize both bilateral agreements and local needs, given the uncertainties about the final harvest. The Government was also concerned about increasing local prices. The figure for bread wheat was subsequently raised to 1.5 million tons as several shippers argued that they had transactions in progress at the time of the suspension.

For durum, an additional export quota of 80,000 tons was later established, but for this wheat exporters must bid potential overseas sales prices. The ones who bid the highest prices win the right to export more durum.

The eventual destinations of the sales declarations by private firms and cooperatives were virtually impossible to determine as of late January since several of the international trading firms have options on sales contracts to deliver wheat from several origins, Argentina being only one of these.

LARGE SALES REPORTEDLY have been made to European resellers, who may eventually sell the wheat to a number of destinations. Also, some local shippers may have declared sales in anticipation of finding buyers. Nevertheless, it is generally known that private shippers have sold large quantities of Argentine wheat to India, Bangladesh, North Korea, Chile, Europe, and Japan. The last two destinations are particularly significant, as the last previous quotation of Argentine bread wheat in the European market was in July of 1970, and Japan has not been a significant market for Argentine wheat.

The suspension of sales declarations does not apply to bilateral agreements entered into by the Government, so that further bilateral agreements may still be possible. In the past the Argentine Government has on several occasions sold wheat directly to Paraguay, Uruguay, Bolivia, and Peru—all of which will be needing larger wheat imports in 1973.

Argentina's total exportable surplus for the 1972-73 marketing season could reach some 4 million tons, including approximately 500,000 tons of durum wheat, assuming domestic consumption requirements of 4.2 to 4.3 million tons. This compares with actual exports of 1.6 million tons, including 337,000 of durum, during 1971-72; 845,000 tons, including 522,000 durum, in 1970-71; and 2.2 million to 2.5 million tons, including between 282,000 and 587,000 tons of durum, from 1966-67 to 1969-70.

The reduced shipments of bread wheat in recent years have been limited virtually to the nearby traditional markets of Brazil and Chile. From 55 percent of all Argentina's bread wheat exports in 1969, these two markets moved up to account for 67 percent in 1970, 100 percent in 1971, and 90 percent in 1972. However, with the substantially larger supply of wheat available for export this season, the relative importance of these two markets will decline even though the volume of wheat they receive from Argentina will be larger.

Whether Argentina's marked increase in wheat production and exports this season represents a reversal of its recent trend away from wheat and in favor of corn, grain sorghum, other crops, and cattle was difficult to determine as of January (see *Foreign Agriculture*, April 24 and October 16, 1972). Farmers have now increased wheat plantings 2 years in succession,

In Necochea, newer metal grain storage bins have replaced the old underground facilities, visible in foreground.

but this season's planted area still remains about 15 percent less than the peak in 1968-69, even though planting conditions were the most favorable in many years, particularly in the western marginal zones.

High sunflowerseed prices may have stimulated larger wheat sowings, as a large portion of the former crop is sown on wheat stubble as a second crop. Also, many farmers needed to rotate continuously cropped corn fields away from corn because of weed infestations. More important may have been the relationship between wheat and corn prices at the time of wheat seeding in May, June, and July. Corn prices were depressed owing to a buildup of stocks at port elevators, while the Government had just raised sharply the wheat support price for the coming crop. Thus, the expectational values for wheat may have been stronger than those for corn. Since Argentina's wheat was largely sown by July, later developments in the world market—such as large purchases by the Soviet Union—had little to do with the increase in plantings.

Some recent happenings make it more difficult to predict what may happen next season. As of late January, farmers were highly displeased not only with the Government's suspension of export sales declarations, but also with its increase in export taxes and pressure to hold down local wheat price levels. To the 23 percent export retention tax and the 5.3 percent of additional taxes was added 8 percent or 13 percent, depending upon the date of the sales declaration. The Government was also pressuring exporters and millers not to purchase wheat in the local market above specified maximum price levels. In one week's time, following Government adoption of these policies, wheat prices plummeted 15 percent and came down sharply in relation to corn prices. All farm organizations have protested these policies, and some have recommended that farmers refrain from selling wheat.

If farmers react as they have in the past to Government intervention in the marketing of wheat, this intervention —combined with a relative strengthening of corn prices in relation to those of wheat—could cause a reduction in wheat plantings in the coming season. However, several months remain before farmers need to begin preparing their fields for the next crop, and conditions could change.

U.S. Farm Exporters Urged To Testify At Hearings on GATT Negotiations

Scheduled to start this week in Geneva, Switzerland with an opening exchange of views—and to run for the next 3 or 4 months—are negotiations with the European Community (EC) under Article XXIV, paragraph 6 of the General Agreement on Tariffs and Trade (GATT). The subject of the negotiations will be the adjustments and compensation due as a consequence of the entry of the three new Member States—the United Kingdom, Denmark, and Ireland—into the Community.

To help U.S. negotiators, persons in this country exporting to the new members are invited to make their interests known—either by written brief or by personal testimony—to the Trade Information Committee of the Office of the Special Representative for Trade Negotiations. Public hearings will be held by the Committee beginning April 10, 1973, in appear in person must be received by the Chairman of the Committee by Conference Room 730, 1800 G St., N.W., Washington, D.C. Requests to March 27, 1973; and written briefs or other communications must be received at least one week before the commencement of the hearings.

The GATT negotiations are taking place because the United Kingdom, Ireland, and Denmark are changing their scheduled concessions under GATT. Therefore, the United States is entitled to ask the Community for adjustments in those cases where the new members will be raising or withdrawing their GATT-bound concessions.

Briefs and oral testimony should focus on the following points:

- Conditions of access for U.S. exports into the markets of the United Kingdom, Denmark, and Ireland before the entry of those countries into the Community, compared with conditions of access afterward;
- The effects upon U.S. exports of the application of the EC CXT to them, taking into account, as may be relevant, the effects of competitive imports into the EC at other than most-favored-nation rates of duty;
- The effects upon U.S. exports of the application of nontariff measures or other EC regulations (including the Common Agricultural Policy) to them by the United Kingdom, Denmark, and Ireland.

For agricultural products, a limited amount of information about the agreements under which the three countries acceded to the EC and the tariff changes which may result from that accession may be obtained from the Director, Trade Policy Division, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D. C. 20250, tel. 202-447-7677.

How to request an opportunity to testify. Requests to appear in person are to be submitted in an original and 15 copies by March 27, 1973, and to include the name, address, and telephone number of the party wishing to testify and the person submitting the request (with that person's official position); a brief indication of the party's interest and the position to be taken; the name, address, and telephone number of the person or persons to testify; and the amount of time desired.

Requests to present oral testimony should contain no confidential information. Any party desiring to testify orally must submit a written brief in not less than 20 copies, including a statement in nonconfidential form of the position taken and the supporting arguments. Parties are encouraged, however, to support their briefs with all available information, including confidential material. Committee regulations—available on request—provide for exempting confidential material from the public inspection to which all written materials filed with the Committee will be open by appointment.

All communications on the hearing should be addressed to: Chairman, Trade Information Committee, Office of the Special Representative for Trade Negotiations, 1800 G St., N.W., Washington, D.C. 20523.

Top, woman waters tobacco plants in Kerala with an earthern pitcher. Above, a tobacco field in Andhra Pradesh. Pictures courtesy Indian Council of Agricultural Research.

India's Cigarette Industry Poised For Further Production Increases

By V. M. TANDON
Office of the U.S. Agricultural Attaché
New Delhi

India—the world's third largest producer of tobacco behind the United States and the People's Republic of China—is also emerging as a significant producer of cigarettes.

Spurred by growing domestic demand for cigarettes, the industry has made rapid strides during recent years, with production increasing from an average of 44 billion pieces per annum during 1961-65 to 66 billion in calendar 1971. Further gains will be aided by the construction of new cigarette-manufacturing facilities in coming years and by Government actions to encourage an infant export trade.

The cigarette industry is unusual in that it is self-sufficient in all important respects. All the basic raw materials, machinery and spare parts, and other necessary inputs are available in sufficient quantities from indigenous resources. This is also a rare Indian industry in that it is operating in excess of installed capacity, by running on a three-shift basis. Action has been initiated, however, to expand the installed capacity, on a two-shift basis, to 75-80 billion pieces by the mid-seventies, from 58 billion in 1971.

India's production of all types of leaf tobacco during recent years has averaged 350,000 metric tons, including about 100,000 of flue-cured Virginia. The cigarette industry utilizes between 20 and 25 percent of the annual production of tobacco, its offtake of leaf tobacco from the domestic market during 1970-71 amounting to 71,700 tons, including 42,900 of flue-cured Virginia type.

The industry has also been using a few hundred tons of superior-quality imported leaf for blending in the manufacture of higher-priced cigarettes. These imports in earlier years were re-

ceived largely from the United States under Title I of P.L. 480, but more recently they have been purchased with free foreign exchange allocated to the cigarette companies on the basis of their export performance. No foreign exchange is released to the nonexporting companies. The overall policy of the Government is not to allow any imports of leaf tobacco, nor expend any foreign exchange for such imports without linkage to the export promotion effort.

Nine cigarette companies with 13 factories are currently producing about 130 brands and packings of cigarettes. The share of filter-tipped cigarettes in the total production has increased to 8 percent from only 2-3 percent in the early sixties. Of the nine cigarette-manufacturing companies, three control between 70-80 percent of the national production, and the majority of their stockholdings are held by foreigners. India Tobacco (formerly Imperial Tobacco Company) is the largest company, having five factories and accounting for 45-46 percent of the total output in 1971.

The Government in 1969 took a major policy decision to allow further expansion in the cigarette industry only to wholly Indian-owned companies. This action was taken to reduce the share of existing big companies in the total production and also to limit the repatriation of foreign exchange in payment of profits and dividends by the substantially foreign-owned companies.

In line with this policy, the Government during the past few years has given preliminary approval or issued licenses to about a dozen fully Indian-owned companies, including some public-sector organizations, for establishment of additional capacity totaling 50 billion cigarettes. Of the approved proposals, one new factory with a manufacturing capacity of 5,400 million cigarettes went into production during the current year. Another three or four factories are expected to be established during the next 2 or 3 years, thus raising the total installed capacity of the industry to the 75 billion-80 billion cigarettes planned.

Notwithstanding the periodic increases in prices and the growing publicity on smoking, domestic demand for cigarettes has continued to increase during recent years. Principal factors behind the growth are:

- Increases in population;
- The growing younger generation, inclined toward what may be termed "modern habits;"
- Increases in per capita incomes, including changes in the pattern of income distribution that have left expendable surpluses in the hands of a growing section of the community;
- Agricultural prosperity ushered in by the Green Revolution, which in turn has increased the demand for small luxuries like cigarettes; and
- A gradual switch by smokers from hooks tobacco—smoking pipes in which the smoke is drawn through filters—and beedies—native cigarettes with tobacco wrapped in tree leaves—to cigarettes.

"Spurred by growing domestic demand for cigarettes, the industry has made rapid strides during recent years."

Until 1971, the entire indigenous production was absorbed in the domestic market. Still, annual per capita consumption, estimated at 120 cigarettes during 1971, is among the lowest in the world.

Total sales of cigarettes in the domestic market are estimated to have increased to 64.5 billion pieces in 1971 from less than 40 billion a decade back. Value of sales in 1971 exceeded $400 million.

In 1972, there was a slight setback in domestic sales, owing mainly to sharp increases in prices of food and other necessities of life, which reduced funds available for nonessential items. Also, the increase in cigarette prices per se during the year was much more than in earlier years as a result of the excise tax on cigarettes being raised thrice between May 1971 and March 1972.

Even before that increase, a sizable portion of cigarette sales was going to the Government by way of excise taxes. During 1970-71 (April-March), for instance, the central Government collected $197 million as revenue from excise tax on cigarettes and another $36 million on leaf tobacco used in cigarette manufacture.

The excise tax rate currently varies from 85 percent ad valorem on the lowest-priced cigarettes to 240 percent on the costliest. Retail prices of cigarettes, inclusive of excise tax, vary from the equivalent of 5 U.S. cents for a pack of 10 inexpensive-brand cigarettes to 67 cents for a pack of 20 premium filter-tip cigarettes.

Exports of cigarettes from India until 1971 were negligible. The industry made a major breakthrough during 1971 by exporting about 1 billion cigarettes, valued at $2.9 million, mainly to the USSR. Exports—mostly to the USSR—during 1972 approximated 500 million pieces. In addition, the cigarette industry in 1972 exported manufactured cigarette rag (processed tobacco ready to be rolled into a cigarette) worth over $500,000 to Sudan.

There is no export duty on cigarettes, and the Government allows full rebate of excise duty on exports. Also, the Government gives an incentive of 10 percent to cigarette exporters in the form of import entitlement on the value of their exports.

Both Government and industry officials recognize that prospects for any substantial expansion in cigarette exports to countries other than the USSR are curtailed by high tariffs and severe competition in developed countries. There is also limited import potential in developing countries because of scarce foreign exchange resources and stiff competition from the traditional exporters, and efforts of the developing countries to establish their own cigarette manufacturing industry. An additional factor undoubtedly is India's limited use of top-quality tobacco for body and flavor.

The cigarette industry, however, considers these problems, plus the slackness in domestic demand, as temporary and is confident that the domestic demand is capable of absorbing any increases in production resulting from the establishment of new factories.

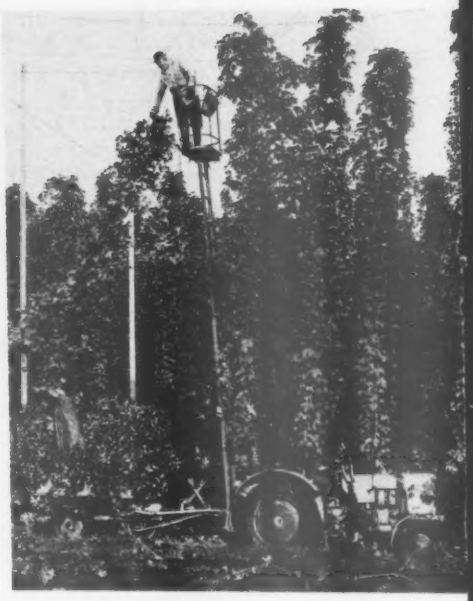
INDIAN CIGARETTE PRODUCTION
[In millions of pieces]

Year	Quantity
Average 1961-65	44,298
Annual:	
1961	39,466
1962	40,948
1963	40,736
1964	46,206
1965	54,134
1966	58,513
1967	54,416
1968	60,432
1969	59,714
1970	62,197
1971	65,889

The Directorate General, Technical Development, Government of India, New Delhi.

Common Market Policy for Hops May Alter Germany's Trade Patterns

By PAUL HESS
Office of the U.S. Agricultural Attaché
Bonn



A MARKED UPWARD trend in production has enabled West Germany to strengthen its position as the world's leading producer and exporter of hops. It is also the world's principal importer of hops, hops powder, and hops extract, buying large volumes from the United States, Yugoslavia, and Czechoslovakia.

However, the European Community's Common Agricultural Policy for hops, enacted July 26, 1971, may encourage other EC countries to increase production. This could put non-EC hops producers, including the United States, at a disadvantage in selling hops and products to West Germany.

Germany produces about one-fourth of world hops output and about 87 percent of EC production. Yet total West German hops area constitutes less than 0.2 percent of its arable land and less than 0.1 percent of all German agricultural land. The hops crop earns about 0.6 percent of all income from the sale of agricultural products and almost 3 percent from plant-products sales. In 1972, West Germany's hops crop was a record 66.8 million pounds.

Concentrated in a few areas in the south, about 80 percent of West Germany's hops come from the Hallertau, situated north of Munich along the Danube. Other important areas are the Spalt, southwest of Nuremberg; Tettnang, just north of Germany's border with Switzerland; the Hersbruck Mountains, northeast of Nuremberg; and the Jura, west of Regensburg.

In past years, some 9,200 German hops growers (1971 estimate) in 420 communities earned between $53 million and $62 million[1] from the sales of their crops, much of which came from the export market. In 1968, total export value amounted to $27.5 million, increasing to $32 million 2 years later, and to $39.2 million in 1971 (based on conversion rates in effect at those times). Imports during the same years ranged from $7.5 million in 1968 to $13 million in 1971.

Hops and hops products are used mainly by the brewing industry. In Germany brewmasters mix domestic and imported hops products to give the Republic's beers their characteristic flavor. German hops have a distinctive aroma, allowing exporters to charge a higher price per unit of weight. German hops imports consist primarily of less expensive varieties having a high concentration of bitter substances and less aroma. Because hops imported from the United States are of the latter type, they complement rather than compete with German hops. Despite this, Germany is attempting to boost its production of U.S.-type hops such as Northern Brewer, Brewers' Gold, and Yakima varieties.

German statistics show that the United States sold West Germany approximately 1.9 million pounds of hops and hops products during calendar 1971 valued at some $1.6 million—a 12.5 percent share of its $13 million hops-import trade.

On a fiscal year basis, U.S. data reveal that U.S. exports in 1970-71 (year ending June 30) were 2.2 million pounds valued at $1.6 million, while the following fiscal year they rose to 5 million pounds valued at $4.8 million. Export availability and price generally govern the size of U.S. hops sales.

In general, total West German imports of hops and hops products have trended upward in past years, while U.S. sales to the Federal Republic have fallen off. The large U.S. hops sales in 1971-72 cannot be viewed as a reversal of this trend.

West German data reveal the country imported 12 million pounds of hops and hops powders in 1966, increasing purchases to 13 million pounds in 1971. Imports from the United States dropped off from 5 million pounds at the beginning of the period to 1.9 million pounds in 1971. During the same years, West German imports from countries other than the United States rose from 7 million to 11 million pounds.

West Germany also imports small quantities of hops extract, most of which comes from the United States. In 1966 this country provided 97 percent of West Germany's imports of 66,000 pounds of hops extract. In 1971, West German extract imports were 93,000 pounds, but the U.S. share of the market remained about the same.

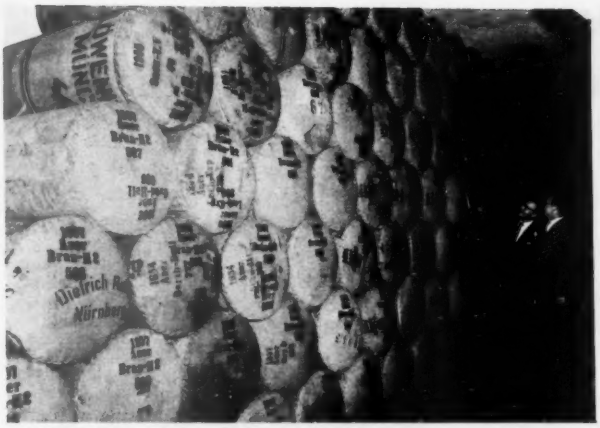
Several reasons have been given by the West German Hops Merchants Association for the sag in U.S. imports. These include high U.S. hops prices resulting from production-area controls in this country; strong export demand for U.S. hops in South America; and relatively low prices being charged for European hops.

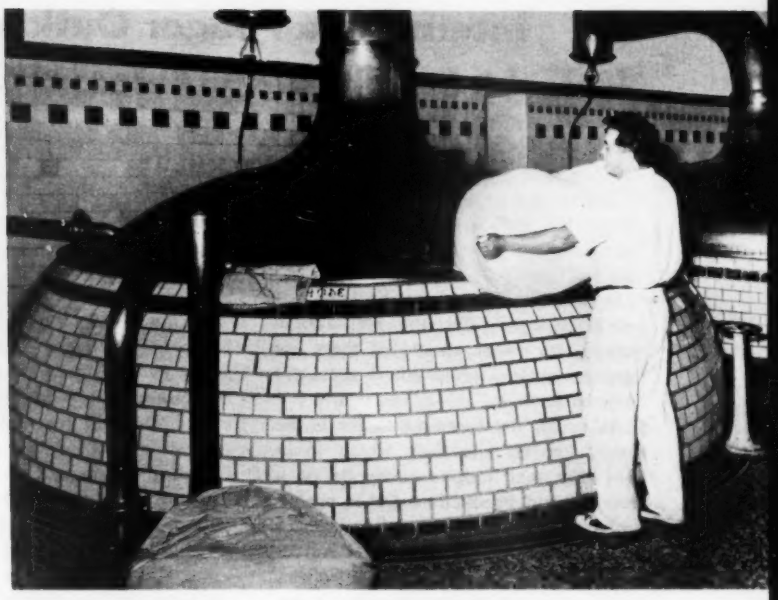
West German imports of hops, hops powder, and hops extract are not subject to import restrictions, except for so-called safety clauses to prevent "dumping" by foreign hops producers.

The Common External Tariff (CXT) on hops and hops powder was originally fixed at 12 percent ad valorem. This was later renegotiated during the Kennedy Round and dropped in gradual steps to 9 percent, effective January 1, 1972. The CXT for hops extract, originally fixed at 6 percent ad valorem, was reduced to 5 percent.

Prior to July 1, 1968, the West German import duty for these products was 13.2 percent ad valorem. Effective January 1, 1970, Germany abolished its

[1] Based on a rate of DM1=US$0.31.





Left West German hops are supported by tall poles and are harvested by workers on platforms high above the ground. Above, bales of hops in a West German warehouse waiting ship. Right, hops are used primarily by the brewing industry. A German worker adds hops to a mix in a brewing kettle.

import duty for other EC countries.

It was at West Germany's insistence the EC adopted a Common Agricultural Policy for hops. The original German position was that no market regulations on hops were necessary because all major agricultural commodities had already been regulated. However, when a Common Market order was proposed for flax and hemp, Germany made its acceptance conditional on the introduction of a CAP for hops.

The hops market regulation does not include all the protectionist features of a "classical" EC regulation. There are no provisions for intervention prices, variable levies, Government stockpiling, or export restitutions in this program. It does provide direct financial assistance to EC producers by means of area subsidies, however. Fixed by the Council of Ministers after each harvest, these subsidies take into account production costs, market prices, and available supplies; the amount of the subsidy is supposed to be set at levels that prevent overproduction and surpluses.

Area subsidies were fixed for the first time in 1971 and amounted to US$114.80 per acre for most of the commonly grown varieties. According to the Federal Ministry of Agriculture, German hop growers received a total subsidy of about $4 million for their 1971 crop, or an average of about 7.5 cents for every pound produced. In anticipation of continued high subsidies, German hop growers have increased their 1972 area by 18 percent to 44,900 acres.

Whether the United States can increase its share of West Germany's import market for hops and products is open to debate. German brewers are still favorably inclined toward U.S. hops. However, some buyers believe U.S. prices are too high because of the U.S. hops market regulation. They think this order, which has stabilized hops production and prices on the U.S. domestic market, does not successfully fit the requirements of the export market. In addition, the EC's hops CAP removes some of the risk connected with European production and makes further expansion of hops area possible.

WESTERN GERMANY: PRODUCTION OF HOPS; TRADE IN HOPS, HOPS POWDER, AND HOPS EXTRACT

[In thousands of pounds]

Item and country	1966	1967	1968	1969	1970	1971
Production	38,598	49,279	48,558	50,216	58,964	53,470
IMPORTS						
Hops and hops powder:						
European Community	2,483	2,186	2,173	3,272	3,205	3,755
United States	4,886	4,064	2,045	1,700	1,244	1,826
Other	4,573	5,974	4,639	5,851	6,273	7,343
Total	11,942	12,224	8,857	10,823	10,722	12,924
Hops extract:						
European Community	1	—	—	2	5	3
United States	64	8	8	33	24	91
Other	1	2	5	11	4	(1)
Total [2]	66	10	13	46	33	93
EXPORTS						
Hops and hops powder:						
European Community	2,167	3,506	3,420	2,119	2,704	2,896
United States	4,309	3,939	7,348	5,911	7,120	6,373
Other	5,267	6,568	8,715	8,106	9,758	11,505
Total	11,743	14,013	19,483	16,136	19,582	20,774
Hops extract:						
European Community	602	833	986	853	1,053	1,621
United States	—	2	—	19	5	2
Other	651	701	898	863	1,207	1,786
Total	1,253	1,536	1,884	1,735	2,265	3,409

[1] Less than 500 lb. [2] May not add to total because of rounding. Production, Federal Ministry of Agriculture. Imports and exports, Federal Office of Statistics.

International Sugar Outlook: Tight Supply Despite Record Crop

By LESLIE C. HURT
Sugar and Tropical Products Division
Foreign Agricultural Service

Several factors on the horizon and just beyond will affect the international outlook for sugar. Some of these are familiar terrain, while others represent "new frontiers."

As usual, the foremost factor is the supply-demand situation, which looks tight this year despite prospects of a record world production. Other prominent influences are the pending renegotiation of the International Sugar Agreement; the enlargement of the European Community, which now becomes a net importer of sugar; planning for the expiration of the U.S. Sugar Act at the end of 1974; and the recent trade agreement entered into between Cuba and the USSR.

The current year's (1972-73) production of centrifugal sugar will be somewhat below requirements, despite prospects for a record production of some 74.5 million metric tons. As a result, there will be a stock drawdown of about 2 million tons, reducing carryover stocks at the end of 1972-73 to about 16 million tons.

This low stock level represents world consumption of only about 2½ months and is in sharp contrast to the supply situation that prevailed between 1964 and late 1971. The shift from excess to shortage reflects accelerating consumption at a time of production problems, including short crops during the past 2 years in the large producing countries of Cuba and the USSR.

The tightening world sugar supply is reflected in increases of the world sugar price during 1972. While "world" sugar (adjusted to a New York basis) averaged 8.53 cents per pound for 1972 —compared with U.S. domestic raw sugar at New York, duty paid, of 9.09 cents—at times it exceeded the U.S. price. Comparable prices for the 1964-68 period, by contrast, were 3.72 cents for "world" sugar and 7.09 cents for New York duty-paid sugar.

In the USSR, the 1972-73 crop will be somewhat larger than the relatively small 1971-72 output but still about 2 million tons below consumption requirements. Drought reduced production in several areas, including the eastern Ukraine, northern Caucasus, and the Russian Federation, although the more important producing area of the western Ukraine was not as hard hit. Since November 1972, the USSR has purchased almost a million tons of sugar on the world market. As in the previous year, when large purchases were also made, this buying had a profound influence on world market prices.

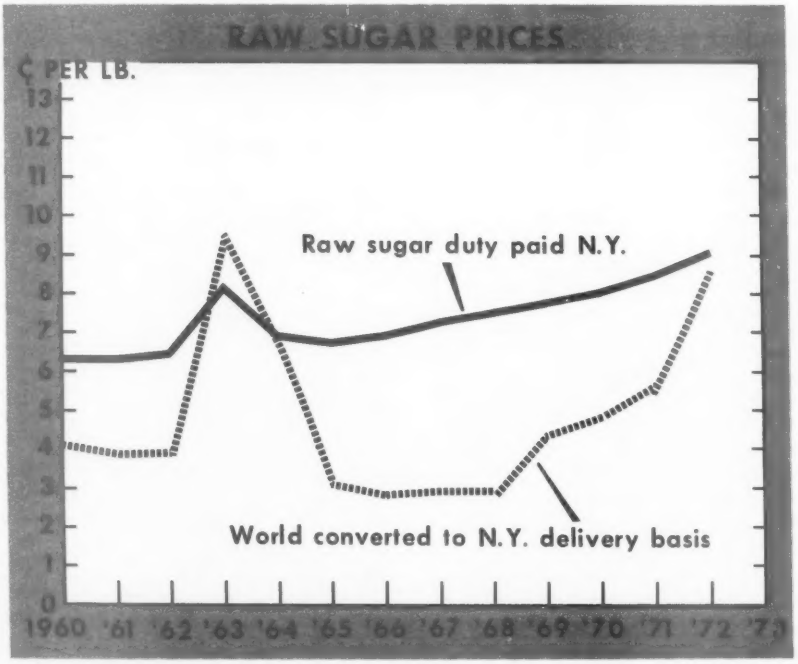
The 1972-73 crop in Cuba appears lower as time goes on. A 5-million-ton crop is currently estimated. Some estimates are lower, however, as bad weather conditions reportedly stopped milling for a while at 59 of the 128 mills in operation, and there were also difficulties with harvesting operations.

The Cuban harvest in 1973 will be about 12 percent by machine, double that of the previous year. Some 500 harvesters are reportedly operating in Cuba this year, and it has been estimated that in each year of the next decade Cuba will place between 200 and 300 cane harvesters in service. Major assistance for the effort of increasing mechanization is coming from the Soviet Union.

Brazilian sugar production this season will be an alltime record of 6 million metric tons. Exports of sugar from Brazil have increased sharply, and sizable quantities have been sold to nontraditional markets—especially the USSR and Mainland China—in the past 15 months.

Helping satisfy the demand for bulk export is a new sugar-loading terminal in Brazil—in operation since last September—at the northeastern port of Recife. The new terminal has a 200,000-ton storage capacity, and its mechanical loading system can handle 1,000 tons an hour on a 24 hour-a-day basis. In addition, plans have been announced for a high-velocity loading terminal on the coast in southern Brazil, as well as a central collection warehouse complex for sugar in an upstate São Paulo area as yet unspecified.

India is expected to have a produc-



This article is based on a speech delivered last month by Mr. Hurt at the U.S. Department of Agriculture's annual Outlook Conference.

tion this year of 4.3 million metric tons of sugar. The Government of Assam Province has decided to set up six sugar-mills under a public sector corporation in the next financial year. Three of the mills are to be located in the South Banks Districts of the Bramahputra and three in the North Banks, including one in the Mikir Hills District.

Production of sugar in the Philippines this year will be up slightly despite floods in Luzon. A bumper crop is expected for the more important sugar island of Negros.

A record production will be realized by Australia this year, as both yield of cane and sugar content are high.

A rapid expansion in the area devoted to sugarcane will account for a large increase in the Dominican Republic's 1972-73 crop.

Argentina's production has been forecast to recover to about 1.3 million metric tons this year as a result of a 10-percent expansion in sugarcane area and favorable weather.

Good weather, coupled with increased productivity in the Republic of South Africa, was responsible for recovery during the last 2 years and will result in a record 1972-73 crop. Some sugar land is being lost to development, and in the future more of the crop may be grown by small African farmers.

On February 1, 1973, the United Kingdom, Denmark, and Ireland began phasing into the EC Common Agricultural Policy for sugar. This move has made the EC, which in the past few years had been producing about 1 million tons of sugar in excess of requirements, suddenly a net importer of sugar. Present EC plans include the continuation of the Commonwealth Sugar Agreement (CSA) until at least the end of 1974 but provide for the exclusion of Australia after that. Negotiations to extend the CSA will be held in 1974. The developing countries of the Commonwealth desire a system from 1975 onward that will allow them to sell a total of 1.4 million long tons of sugar per year to the United Kingdom. Entry into the EC means higher sugar costs for U.K. consumers, but little change in Ireland and Denmark.

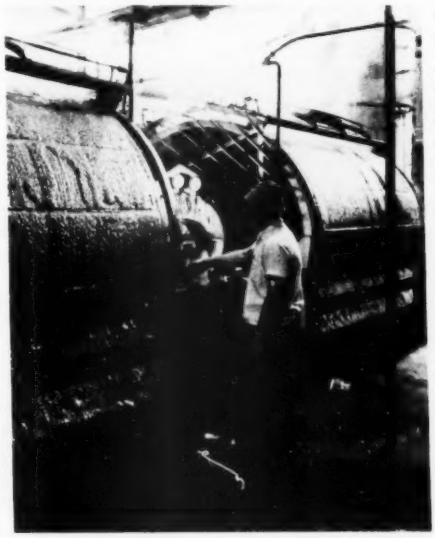
Sugar production in the United States during 1972-73 is estimated at 5.9 million metric tons, up from 5.6 million in 1971-72, with a substantial increase for mainland cane. Production of cane sugar is taking place in Texas beginning this year. While the present U.S. Sugar Act does not expire until the end of 1974, serious consideration will be given to the United States Sugar Program much ahead of that time.

The International Sugar Agreement expires at the end of 1973. There will be a renegotiation for a new agreement in Geneva May 7-30 and again in September. While quotas under the Agreement were suspended in 1972 and again in 1973, other provisions of the 5-year pact have remained in effect. A Supply Commitment Price is provided in the Agreement, and sizable quantities were delivered on this basis.

The world sugar price on February 20 was at 8.90 U.S. cents per pound, f.o.b. Caribbean ports—3.65 cents above the 5.25 cents at which quotas would be suspended under the pact. Although the world price is very sensitive and wide fluctuations often occur in price, it is not likely that quotas will be restored under the present Agreement.

At about the beginning of 1973 new financial arrangements for Soviet aid to Cuba were announced. These include substantial loans toward modernization of Cuba's sugar industry. Also the basic price to be paid by the Soviet Union for Cuban sugar was raised from about

(Continued on page 16)



Up-to-date equipment is aiding sugar production in Australia—one of the important Southern Hemisphere producers. Among such equipment is the mechanized sugarcane harvester, above, and rotary filters, left, used to extract juice from sugar precipitate.

Ireland's Farm Output And Income Rise for 1972; Exports Less Favorable

Ireland's major farm output increase was in cattle.

Ireland's farm output and farm income increased for 1972, but the export marketing situation was less favorable. Farm output, including changes in the value of livestock, reached a new peak of the equivalent of more than US$1.1 billion in 1972, about US$165 million more than in 1971.

As expected, reported the Minister of Agriculture, James Gibbons, the major increase was in cattle, US$96 million, thus making the total value for cattle well over US$400 million. Much of this was reinvested in larger breeding herds and more young cattle.

Creamery milk intake was also up an estimated 40 million U.S. gallons to about 670 million U.S. gallons, and the average creamery milk price increased 6 U.S. cents per U.S. gallon, compared with 1971 prices. Lower yields in cultivated crops, however, were more than compensated for by higher prices.

Output of hogs was also reported up, but what percentage can be attributed to increased production and how much to illegal shipments is uncertain. The reported increase conflicts with the June hog census which showed the national herd down 9.4 percent from that of 1971, while the January 1972 figure showed a 1 percent decrease from that of the same period of 1971. The effect of the June decline of 11.5 percent in breeding stock is now being felt in decreased slaughterings.

With the increased output in almost all areas of agriculture, the Minister said farm income should far outweigh cost increases by the equivalent of about US$120 million. He forecast that farm output would rise substantially again during 1973, particularly with the substantial increase in breeding cows and cattle, while average prices for milk, beef, and lamb should all be higher.

Despite the rise in farm output, Ireland's export marketing situation is less promising. Gibbons said that while the bacon industry and the Dairy Board were progressing well, the fresh meat export situation was not. He emphasized there could be no export subsidies within the European Community (EC) trading conditions as there were under the Irish-U.K. Trade Agreement.

Modernization in the processing industries had not been too successful. The Minister said there were still some factories in the hog processing industry that must be brought up to standard if they are to continue in operation. The Voluntary Rationalization Scheme, which has been only partially successful in closing uneconomic factories, will close on March 31, 1973.

Also, efforts to eradicate disease are being stepped up by the Department. The Minister said he intends to create a special corps of permanent veterinary staff primarily concerned with the testing of stock. Recently there has been concern over tuberculosis outbreaks throughout the country.

—Based on a dispatch by
EUGENE T. RANSOM
U.S. Agricultural Attaché
Dublin

Harvesting in Mulroy, County Donegal, Ireland.

CROPS AND MARKETS

FATS, OILS, AND OILSEEDS

Japanese Purchases of U.S. Cottonseed Oil Set Record

In recent weeks Japan reportedly purchased in the United States 35 million pounds of cottonseed oil and 11 million pounds of soybean oil for delivery between February and April. In October-December Japan had previously purchased 6 million pounds of cottonseed oil.

The 41-million-pound total represents the largest amount of cottonseed oil ever imported by Japan in any one year from all sources combined and compares with purchases of 15 million pounds of U.S. cottonseed oil during the entire 1971-72 season.

Japan's large soybean purchases are partly attributable to delays being experienced in shipment of U.S. and Chinese beans and their extraordinarily high landed price.

Malaysian Palm Oil to China

Malaysia has contracted to ship 3,200 tons of palm oil to Mainland China through March 1973. This follows an earlier order for 5,000 tons which was sold in September 1972. There is no previous record of Malaysia exporting palm oil to Mainland China.

The palm oil is reportedly being used as cooking oil.

Japanese Firm Cancels Plans for Petroleum Protein

Protests from consumer groups have forced one Japanese chemical company to cancel plans to produce artificial protein from petroleum for use in livestock feeds, and a second may follow suit after consulting with Government agencies and other organizations.

Despite a ruling by an advisory council to the Health and Welfare Minister that petroleum protein was safe for animal feed if used as directed, the consumer groups claimed safety of the protein had not yet been established. They also expressed concern over possible harmful hereditary effects that might result to humans eating animals and fish nourished on petroleum protein.

Finland To Produce Protein From Cellulose

Finland is building the world's first commercial plant to produce artificial protein for livestock feed from cellulose waste. The protein manufacturing method was developed over the past 8 years at the Pulp Research Institute, which said tests on pigs, cattle, and poultry have shown the value of the protein.

A new plant will be opened by mid-1974 with an initial capacity of 10,000 metric tons per year using waste from the country's 100,000-ton sulphite cellulose production.

Other Finnish companies are considering production of cellulose waste protein, which they claim is an economical substitute for oilcakes and meals. At the present time Finland imports large quantities of protein feed including soybeans from the United States.

There is a potential in North America and Europe for as much as 3 million tons of protein feed based on estimated availabilities of sulphite cellulose.

COTTON

Dollar Devaluation May Boost Foreign Cotton Use

Based on numerous trade contacts, it appears that recent devaluation of the U.S. dollar will have little effect on the short-term outlook for U.S. cotton exports, is not likely to substantially change the U.S. price relationship with other cottons, but should benefit cotton's competitive position with respect to manmade fibers.

U.S. exports during 1972-73, now estimated at 4.5 million bales, are not likely to increase because of devaluation. The level of sales already made is probably close to the physical capacity of the United States to move cotton before August 1. Neither is the devaluation likely to result in cheaper prices for U.S. cotton in comparison with other growths, because most other major cotton exporting countries have either announced plans to maintain approximately the same parity between their currencies and the dollar or are expected to do so in the near future.

On the other hand, most manmade fiber production is in developed cotton-importing countries where devaluation of the dollar (and other currencies maintaining about the same parity with the dollar) will have full effect. Therefore, the principal net effect of the devaluation seems likely to be an improvement in cotton's price position against manmade fibers and improvement in the foreign cotton consumption outlook for 1973-74.

SUGAR AND TROPICAL PRODUCTS

World Coffee Crop Up Slightly

World coffee production for the October-September 1972-73 season is currently estimated at 72.3 million bags (133 lb. each), up 0.8 percent from the 1971-72 harvest. Because of increased consumption in the producing countries, however, the amount of coffee available for export from the 1972-73 crop is up only 0.2 percent to 53 million bags, compared with 52.9 million bags exportable production in 1971-72.

(Exportable production represents total harvested output less domestic consumption in the producing countries.)

Estimates of total 1972-73 output for the major producing countries in thousands of bags are as follows, with 1971-72 data in parentheses: Brazil, 23,000 (23,600); Colombia, 8,200 (7,200); Ivory Coast, 4,500 (4,400); Mexico, 3,700 (3,400); Angola, 3,350 (3,400); Uganda, 2,850 (2,850); and Indonesia, 2,400 (2,250).

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Exports during January-November 1972 were up 24 percent from those of a year earlier. Total 1972 exports are estimated at about 40 million pounds.

If the weather remains favorable, Argentine trade circles expect 1973 honey production to reach 66 million pounds, the highest in 5 years, with exports climbing to around 48 million pounds.

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Dr. Andrade, who addressed members of the Coffee Trade Center in Rio de Janeiro in late January, also noted that Brazil favored negotiating a new International Coffee Agreement, if this could be done consistent with the maintenance of current coffee price levels.

FRUITS, NUTS, AND VEGETABLES

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The sharp reduction in output of both apples and pears, coupled with poor quality and soaring domestic prices, is expected to result in a significant decline in exports during the 1973 shipping season.

Shipments of pears to the United States, one of Argentina's major markets, are expected to drop to insignificant quantities this year. Apple exports to the United States are forecast to be down from the 10,150 boxes shipped last year.

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The Mexicans imposed picking, packing, and shipping holidays on February 13, 18, 21, and 25, and suspended packing and shipping on February 14 and 22.

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World wheat production is estimated at 308 million tons, down 14.8 million. Declines in the Soviet Union, Australia,

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Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	March 7	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	312	+8	2.00
USSR SKS-14	(1)	(1)	(1)
Australian FAQ [2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	2.80	+2	1.93
15 percent	2.82	+3	1.99
U.S. No. 2 Hard Winter:			
13.5 percent	2.77	+6	1.79
No. 3 Hard Amber Durum	2.97	−5	1.83
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	2.06	+1	1.41
Argentine Plate corn	2.25	0	1.56
U.S. No. 2 sorghum	2.14	−1	1.47
Argentine-Granifero sorghum	2.12	−2	1.49
U.S. No. 3 Feed barley	1.77	−4	1.20
Soybeans:			
U.S. No. 2 Yellow	7.50	+95	3.62
EC import levies: [3]			
Wheat [4]	[5] 1.58	−2	1.65
Corn [6]	[5] 1.25	+7	1.15
Sorghum [6]	[5] 1.08	+5	1.05

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] The grain levies in the new member countries are reduced by the following amounts through July 31, 1973: Wheat—United Kingdom, $1.31; Denmark, $0.29; Ireland, $0.23. Corn—United Kingdom, $1.02; Ireland, $0.63. Sorghum—United Kingdom, $1.03; Ireland, $0.68. [4] Durum has a separate levy. [5] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [6] Italian levies are 23 cents a bu. lower than those of other EC countries.

Grain Exports and Transportation Trends: Week Ending February 23

Weekly export inspections of wheat, feedgrains, and soybeans totaled 1.80 million metric tons for the week ending February 23—a 4-percent increase from the week before and 13 percent above the January weekly average.

Inland transportation fell somewhat below the previous week. Railcar loadings of grain totaled 30,674 cars, down 6 percent from one week earlier. Barge shipments of grain, at 444,000 metric tons, were down 17 percent from the week before.

GRAIN EXPORTS AND TRANSPORTATION TRENDS: WEEK ENDING FEBRUARY 23

Item	Week ending Feb. 23	Previous week	Weekly average, January	Weekly average, second quarter
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Weekly inspections for export:				
Wheat	704	660	668	557
Feedgrains	762	746	675	595
Soybeans	335	325	249	351
Total	1,801	1,731	1,592	1,503
Inland transportation:				
Barge shipments of grain	444	534	497	559
	Number	*Number*	*Number*	*Number*
Railcar loadings of grain	30,647	32,492	33,287	30,923

DAIRY AND POULTRY

Japan-Australia Egg Contract

Japan has signed with two Australian States its "largest ever" import contract for egg products. New South Wales and Victoria have contracted to supply 17,000 tons of products valued at $13 million over the next 2 years. The products to be supplied include salted egg yolks and frozen whites.

The new contract is in addition to others calling for the sale of frozen whole egg solids through the Australian Egg Board and produced in other States.

Canada Holds Hearings On Turkey Marketing Agency

Public hearings were held in Canada in February 1973 on establishment of a National Turkey Marketing Agency. The hearings were conducted by the Government's National Farm Products Marketing Council in Ottawa, Truro, and Vancouver.

After the hearings, the Council received for review the proposed marketing plan. Later it will submit to the Federal Agricultural Minister recommendations on whether to accept all or part of the proposal.

For 1973, the plan proposes that Provincial Commodity Boards share a total market of 210 million pounds of turkey, eviscerated weight.

The turkey marketing plan is the second for which hearings have been held. On November 30, 1972, following such sessions, a national egg marketing agreement was signed by provincial marketing organizations and egg producer boards to provide for the "orderly marketing and management" of eggs in Canada.

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Argentine-Granifero sorghum	2.12	−2	1.49
U.S. No. 3 Feed barley	1.77	−4	1.20
Soybeans:			
U.S. No. 2 Yellow	7.50	+95	3.62
EC import levies: [3]			
Wheat [4]	[5] 1.58	−2	1.65
Corn [6]	[5] 1.25	+7	1.15
Sorghum [6]	[5] 1.08	+5	1.05

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] The grain levies in the new member countries are reduced by the following amounts through July 31, 1973: Wheat—United Kingdom, $1.31; Denmark, $0.29; Ireland, $0.23. Corn—United Kingdom, $1.02; Ireland, $0.63. Sorghum—United Kingdom, $1.03; Ireland, $0.68. [4] Durum has a separate levy. [5] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [6] Italian levies are 23 cents a bu. lower than those of other EC countries.

Grain Exports and Transportation Trends: Week Ending February 23

Weekly export inspections of wheat, feedgrains, and soybeans totaled 1.80 million metric tons for the week ending February 23—a 4-percent increase from the week before and 13 percent above the January weekly average.

Inland transportation fell somewhat below the previous week. Railcar loadings of grain totaled 30,674 cars, down 6 percent from one week earlier. Barge shipments of grain, at 444,000 metric tons, were down 17 percent from the week before.

GRAIN EXPORTS AND TRANSPORTATION TRENDS: WEEK ENDING FEBRUARY 23

Item	Week ending Feb. 23	Previous week	Weekly average, January	Weekly average, second quarter
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Weekly inspections for export:				
Wheat	704	660	668	557
Feedgrains	762	746	675	595
Soybeans	335	325	249	351
Total	1,801	1,731	1,592	1,503
Inland transportation:				
Barge shipments of grain	444	534	497	559
	Number	*Number*	*Number*	*Number*
Railcar loadings of grain	30,647	32,492	33,287	30,923

DAIRY AND POULTRY

Japan-Australia Egg Contract

Japan has signed with two Australian States its "largest ever" import contract for egg products. New South Wales and Victoria have contracted to supply 17,000 tons of products valued at $13 million over the next 2 years. The products to be supplied include salted egg yolks and frozen whites.

The new contract is in addition to others calling for the sale of frozen whole egg solids through the Australian Egg Board and produced in other States.

Canada Holds Hearings On Turkey Marketing Agency

Public hearings were held in Canada in February 1973 on establishment of a National Turkey Marketing Agency. The hearings were conducted by the Government's National Farm Products Marketing Council in Ottawa, Truro, and Vancouver.

After the hearings, the Council received for review the proposed marketing plan. Later it will submit to the Federal Agricultural Minister recommendations on whether to accept all or part of the proposal.

For 1973, the plan proposes that Provincial Commodity Boards share a total market of 210 million pounds of turkey, eviscerated weight.

The turkey marketing plan is the second for which hearings have been held. On November 30, 1972, following such sessions, a national egg marketing agreement was signed by provincial marketing organizations and egg producer boards to provide for the "orderly marketing and management" of eggs in Canada.

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The International Sugar Outlook *(Continued from page 11)*

6.00 U.S. per pound to about 11.00 cents. Reportedly, the arrangement extends up to 1980, and much of the trade will be on a barter basis. Because of this, Cuba may not emphasize shipments to the USSR at the expense of deliveries to the world market. Imports into the USSR from Cuba amounted to 1.4 million tons for both 1970-71 and 1971-72.

The international sugar outlook thus appears tight for the foreseeable future. The situation could be changed, however, by several factors. Favorable weather and other production factors could increase yields above the 1972-73 levels, which were affected by unfavorable conditions in several major producing countries. Government programs could be changed by producing countries to encourage greater output. These moves might include raising farmer support prices or prices to the consumers.

While increased productivity is possible for a number of countries, this would probably not occur in the near future for many of them. Mills are not as likely to be built now as they were in the short supply period of 1963 and 1964, as construction costs are much higher and there is more reluctance to get into sugar production. Mill capacity itself on a worldwide basis presently is not a particularly limiting factor in increasing output, although plans should be made now for mill construction in some countries as increased capacity will be needed in just a few years.

While higher prices for sugar due to the tightening supply situation could curtail the recent upswing in world consumption, there will probably still be increases of at least 2 percent per year. Even at this reduced level of growth, world requirements by 1980 would amount to about 90 million metric tons, compared with 76.5-million currently. Most delegates to the international symposium of world sugar experts, which was convened in Paris in early November 1972, agreed that in another 10 years the world would be demanding as much as 30 million tons more of sugar each year.

Production increases to meet world demand are most likely to occur in Brazil, Australia, Venezuela, Mexico, India, and possibly Cuba. Producing countries which are expected to attain self-sufficiency in sugar within the next year or two include Iran, Indonesia, and Greece, while the USSR could produce enough to meet its own requirements with more favorable weather and an increase in yields.

Canada Reduces Tariffs on Many Food Items

The Canadian Government, in its recent budget message to Parliament, proposed unilateral 1-year tariff reductions on a large number of consumer goods, including a wide range of fresh and processed meats, fruits and vegetables, and a number of other food items. Duty suspensions, effective February 20, affected imports valued at about Can$1.3 billion in 1972, of which about $720 million came from the United States.

Among major U.S. farm exports to Canada that will benefit, with 1972 f.o.b. values, are live cattle, $19 million; orange juice, $22 million; fresh beef and veal, $25 million; fresh pork, $13 million. The proposed tariff cuts average 5 percentage points, although for some items, such as live cattle and hogs and fresh beef and pork, full duties are suspended. The same is true for many out-of-season fresh fruits and vegetables.